

STOCKTON-ON-TEES BOROUGH COUNCIL CONSULTATION ON COUNCIL TAX REDUCTION SCHEME 2022/23



REPORT OF THE TREASURER

For Approval

1. PURPOSE OF REPORT

- 1.1 To inform Members of Stockton-on-Tees consultation on the Council Tax Reduction Scheme 2022/23, the potential impact on the Authority and to enable Members to determine if they wish to respond to the consultation.

2. RECOMMENDATIONS

- 2.1 Members note the report and determine which of the potential consultation responses detailed in paragraph 5.3 they wish to submit to Stockton-on-Tees Borough Council.

3. BACKGROUND

- 3.1 Prior to 2013/14 there was a national Council Tax Benefit scheme which determined those households eligible for support with Council Tax based on an assessment of income. Whilst this scheme was administered locally by councils the eligibility criteria were set nationally and the scheme funded from a specific grant.
- 3.2 In 2013/14 these arrangement were changed significantly and responsibility transferred to councils to design and manage local "Council Tax Reduction Schemes". At the time this change was made funding was transferred to Local Authorities, including Fire and Rescue Authorities, although this funding was reduced by 10%. There was some transitional funding in 2013/14. From 2014/15 the funding was subsumed within the Revenue Support Grant, which Members will be aware was reduced each year from 2014/15 to 2019/20.
- 3.3 As part of these changes councils are legally required to maintain the previous level of support for eligible low income pensioners. Therefore, the change only applies to working age households. This is an important distinction as the initial 10% funding cut effectively falls on working age households. Locally the caseloads between eligible pensioners and low income working age households is broadly split 50:50. This means the 10% funding cuts implied a 20% reduction in Council Tax Support for working age households, unless an individual council determined to subsidise support from their General Fund budget.

3.4 The change implemented in 2013/14 impacts on the Council Tax base set by each council, which in turn determines the overall Council Tax Base for the Fire Authority. In broad terms if an individual council has a lower Local Council Tax Reduction scheme than 20% this:

- Reduces the Council Tax liability of low income working age households;
- Reduces the Authority's Council Tax base and therefore the total amount of Council Tax income received by the Authority.

3.5 The 2021/22 schemes operated across the Authority's area are currently 12% Hartlepool, 17.5% Redcar and Cleveland, 15% Middlesbrough and 20% Stockton.

4. STOCKTON-ON-TEES COUNCIL CONSULTATION PROPOSAL

4.1 I received a letter on 9th July 2019 detailing Stockton-on-Tees Borough Council's consultation proposals which stated:-

- "The Council is looking to implement a new Council Tax Reduction scheme within the Council's area from 2022/23 for working age claimants. The Council has no power to change the level of support provided to pensioners and therefore any changes to the level of Council Tax Reduction can only be made to the working age scheme. The reason for the change is to provide support to the lowest income households in the Borough and develop a scheme that is more compatible with Universal Credit. The main aims of the changes are:
 - To support the most financially vulnerable;
 - To assist in the simplification of claims;
 - To support the collection of Council Tax; and
 - Wherever possible to maintain the same or higher level of support to the most applicants".

4.2 The consultation letter state the current overall cost of the working age scheme is £10.2 million and the cost of the proposed scheme would be £11.4 million. This shows the proposed change will increase the overall level of support provided to eligible households.

4.3 At this stage no other Councils have indicated they will be consulting on changing their Council Tax reductions schemes for 2022/23. This position may change in future years as all councils face the same challenges in simplifying claims as more claimants transfer on to Universal Credit.

5. IMPACT OF PROPOSAL AND SUGGESTED RESPONSE TO CONSULTATION

- 5.1 Based on the information provided in the consultation the proposed scheme will reduce the Council Tax base set by Stockton-on-Tees Council and all other things being equal this will reduce Council Tax income received by this Authority by approximately £48,000 per year. This equates to 0.35% of current total annual Council Tax income.
- 5.2 Responding to the consultation is difficult as the proposals has two contradictory impacts:
- The proposed scheme increases total support to the most financially vulnerable residents living in the Stockton-on-Tees Borough Council area;
 - The financial downside is a reduction in annual Council Tax income received by the Authority of £48,000.
- 5.3 In terms of responding to the consultation there are three options for Members to consider:
- Option 1 – note the position and not respond;
 - Option 2 – respond supporting the proposal and request that the Authority's concerns regarding the reduction in recurring Council Tax income received by the Authority be considered by Stockton-on-Tees Council when making their decision.
 - Option 3 – respond objecting to the proposal on the grounds it reduces recurring Council Tax income.

**CHRIS LITTLE
TREASURER**